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**Sumitomo Electric Industries, Ltd.**

Osamu Inoue, President & COO

Contact: Public Relations Department  
+81-6-6220-4119

Securities code: 5802

<https://sumitomoelectric.com/>

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The unchanging basic policy of Sumitomo Electric Industries, Ltd. (hereinafter “the Company”) is to contribute to society through fair business activities based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, which have been handed down from generation to generation.

Adhering to this basic philosophy, the Company will work to ensure and enhance the transparency and fairness of management based on proper corporate governance through appropriate collaboration with stakeholders based on its multistakeholder capitalism, which focuses on contributing to the public benefit and mutual prosperity with its stakeholders. The Company thus aims to achieve sustainable growth and enhance corporate value over the medium to long term, as well as to steadily return the results to all of its stakeholders as a going concern.

- Corporate Governance Guidelines: <https://sumitomoelectric.com/company/governance>

### Reasons for Not Implementing Each Principle of the Corporate Governance Code

The Company has implemented all the principles of the Corporate Governance Code.

### Disclosure Based on Each Principle of the Corporate Governance Code

- The disclosure based on each principle of the “Corporate Governance Code” is as follows.

The Integrated Report, CSR Book, Corporate Governance Guidelines, and Convocation Notice of the General Meeting of Shareholders referred to in each explanation are available on the Company’s website.

- Integrated Report: <https://sumitomoelectric.com/sustainability/integrated>
- CSR Book: <https://sumitomoelectric.com/sustainability/csr>
- Corporate Governance Guidelines: <https://sumitomoelectric.com/company/governance>
- Convocation Notice of the General Meeting of Shareholders: <https://sumitomoelectric.com/ir/meeting>

#### 1-1. Management Philosophy, Management Strategy, and Management Plan (Principle 3-1 (i))

- Honoring both the tradition of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, the Company has always prioritized its contribution to society. The Company operates based on the multistakeholder capitalism of “contributing to the public benefit through business,” while striving to ensure mutual prosperity with its stakeholders.
- Based on this basic management philosophy, the Company has formulated a long-term vision “the Sumitomo Electric Group 2030 VISION” as its management strategy, and has formulated the Mid-term Management Plan 2025 as the three-year action plan from FY2023 to FY2025 to realize the vision.
- For specific details, please refer to the Company’s website.
  - Sumitomo Spirit and Sumitomo Electric Group Corporate Principles:  
<https://sumitomoelectric.com/company/vision>
  - Sumitomo Electric Group 2030 Vision: <https://sumitomoelectric.com/company/segvision2030>
  - Mid-term Management Plan 2025: <https://sumitomoelectric.com/company/segmid-term2025>

## **1-2. Basic Approach and Basic Policy on Corporate Governance (Principle 3-1 (ii))**

- The Company has established the Corporate Governance Guidelines regarding its basic approach and basic policy on corporate governance. Under these guidelines, the Company is working to continuously improve its corporate governance.

· Corporate Governance Guidelines: <https://sumitomoelectric.com/company/governance>

## **1-3. Sustainability**

### **(1) Sustainability Initiatives (Supplemental Principle 3-1 ③)**

- Sustainability initiatives, including consideration for climate change and other global environmental issues, respect for human rights, fair and appropriate treatment of employees and their health and working environment, fair and impartial trade with business partners, and risk management for natural disasters, are essential for the Company's sustainable growth and medium- to long-term enhancement of corporate value, as well as for the steady return of results to all stakeholders as a going concern.

Based on this approach, the Company is committed to resolving issues related to sustainability.

- For specific information, please refer to the Company's website (<https://sumitomoelectric.com/sustainability>), Integrated Report, and CSR Book.

### **(2) Investments in Human Capital and Intellectual Property (Supplemental Principle 3-1 ③)**

#### **① Investment in Human Capital**

Under the policy of “investment in human capital, etc.,” the Company will evolve to become a company where all the employees can work actively, grow, achieve self-actualization, and contribute to society. The Company is working to develop human resources, improve engagement, ensure organizational diversity, and improve the workplace environment.

- For specific information, please refer to the Company's website (<https://sumitomoelectric.com/sustainability/csr/sociality>), Integrated Report, and CSR Book.

#### **② Investment in Intellectual Property, etc.**

- The Company's policy for investment in “intellectual capital” is to seek to create a framework that contributes to the competitiveness and global development of the Company's business. Based on this policy, the Company is committed to “management of intellectual capital and utilization of intellectual property rights” as well as “contribution to and compliance with international standards and rule-making.”

- For specific information, please refer to Integrated Report.

### **(3) Approach, Goals, and Status of Ensuring Diversity of Core Human Resources, and Policy and Status of Human Resource Development and Internal Environment Improvement (Supplementary Principle 2-4 ①)**

#### **① Ensuring Diversity of Core Human Resources**

- With regard to the concept of ensuring diversity of core human resources, the Company provides workplaces where all the employees can work actively, grow both personally and professionally through work, achieve self-actualization, and contribute to society.

To this end, the Company offers various career opportunities and globally pursues “the right person in the right position” regardless of race, ethnicity, national origin, religion, age, gender, gender identity, sexual orientation, or disability.

- For specific information, please refer to the Company's website (<https://sumitomoelectric.com/sustainability/csr/sociality>), Integrated Report, and CSR Book.

- Global Human Resource Management (HRM) Policy:  
<https://sumitomoelectric.com/sustainability/csr/sociality/diversity>

○ The targets and current status regarding securing diversity of core human resources are as follows:

	Targets for FY2025	Results for FY2022
Ratio of female managers*	4.0%	3.4%
Number of Global Executives**	45	42
Ratio of mid-career hires in managerial positions*	25%	20.5%

(Note) The scope of \* is the Company. The scope of \*\* is domestic and overseas consolidated subsidiaries (excluding listed subsidiaries).

## ② Human Resource Development Policy and Status

○ As part of the Company's human resources development policy, the Company is working to develop global leaders who lead and give energy to the Company's global business.

Global leaders are those who understand and share the Sumitomo Spirit and the Corporate Principles and can lead highly diversified teams.

○ For specific information, please refer to the Company's website

(<https://sumitomoelectric.com/sustainability/csr/sociality>), Integrated Report, and CSR Book.

- Global Human Resource Management (HRM) Policy:  
<https://sumitomoelectric.com/sustainability/csr/sociality/diversity>

## ③ Policy and Status of Workplace Improvement

○ As a policy on workplace improvement, the Company aims to respect human rights, create a healthy, safe, and secure work environment, and include diversity in order to permanently enhance corporate value, based on the Global HRM Policy, Sumitomo Electric Group Human Rights Policy, Sumitomo Electric Group Health Management Declaration, and other policies.

Through the investment in people, the Company will evolve to become a company where everyone can excel, grow and contribute to society.

○ For specific information, please refer to the Company's website

(<https://sumitomoelectric.com/sustainability/csr/sociality>), Integrated Report, and CSR Book.

- Global Human Resource Management (HRM) Policy:  
<https://sumitomoelectric.com/sustainability/csr/sociality/diversity>
- Sumitomo Electric Group Policy on Human Rights: <https://sumitomoelectric.com/sustainability/csr/sociality/office>
- Sumitomo Electric Group Health Management Declaration:  
<https://sumitomoelectric.com/sustainability/csr/sociality/health>

## (4) Disclosure of Climate Change-related Information (Supplemental Principle 3-1 ③)

○ In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Company discloses information on four climate change-related items: governance, strategy, risk management, metrics and targets, and scenario analysis.

○ For specific information, please refer to the Company's website (<https://sumitomoelectric.com/sustainability/tcfd>), Integrated Report, and CSR Book.

## 1-4. Functions and Roles of the Board of Directors and Directors, Audit & Supervisory Board and Audit & Supervisory Board Members, and Nominating and Compensation Advisory Committees

### (1) Functions of the Board of Directors

- In order to ensure the sustainable growth of the Company, to enhance the corporate value over the medium to long term, and to steadily return the results as a going concern to its stakeholders, the Company places importance on the function of the Board of Directors to make decisions on basic management policies and to supervise management. The Company focuses on the development of a system to ensure the effectiveness of these functions and the operation of the Board of Directors, and is working to further enhance the effectiveness of these functions.

**(2) Scope of the Matters Delegated by the Board of Directors to the Management  
(Supplementary Principle 4-1 ①)**

- Based on the provisions of the Companies Act, the Company stipulates important matters to be resolved by the Board of Directors in the Articles of Incorporation and internal regulations, and delegate decision-making on business execution other than these important matters to representative Directors and Directors responsible for business execution, etc., to ensure mobility and flexibility in business execution.
- In light of the increasing importance of the direction of management strategy as the role of the Board of Directors, the Board of Directors deliberates the long-term vision of the Sumitomo Electric Group (hereinafter “the Group”) as a management strategy, the mid-term management plan and the annual sales and profit/loss plan to realize the vision, and confirms the status of their achievement on a quarterly basis. At the same time, decisions on individual business execution, such as investments and the establishment of new companies, are delegated to Directors, etc., with the number of cases narrowed down according to monetary standards in internal regulations.

**(3) Composition of the Board of Directors and Nomination Policy, etc. (Supplementary Principle 4-11 ①,  
Principle 4-8)**

- The Board of Directors as a whole is to appoint an appropriate number of people to fulfill the functions of the Board of Directors with a well-balanced composition of personnel with expertise in areas important for decision-making in corporate strategy, such as accounting and finance, business administration, and corporate governance; personnel with abundant knowledge and experience in specialized areas that the Company places importance on as a manufacturing company, such as research and technology development, manufacturing, and production technology, and supply chain; personnel with a wealth of knowledge in corporate management and international perspectives; personnel with knowledge of law and industrial and economic policies, and personnel with independent expertise that contributes to the enhancement of corporate value from a bird’s-eye viewpoint.
- The number of independent Outside Directors is at least one-third of the Board of Directors.

**(4) Nominating and Compensation Advisory Committees (Supplementary Principle 4-10 ①)**

- The Nominating Advisory Committee and the Compensation Advisory Committee have been established as advisory bodies to the Board of Directors, including Outside Directors as members, to ensure transparency and fairness in nominating candidates for Directors and Audit & Supervisory Board Members and in determining the compensation of Directors. The composition of the committee members and the content of their deliberations are as follows.
  - ① The committee is chaired by an Outside Director.
  - ② The number of committee members is at least three, and the majority of them are Outside Directors.
  - ③ The committee deliberates and reports to the Board of Directors on each of the following matters that the Board of Directors consults with the committee.

(Nominating Advisory Committee)

- Proposed candidates for Directors and Audit & Supervisory Board Members
- Skills, etc. that the Board of Directors should possess in light of the management strategy (including succession plans)

- Proposed establishment, revision, or abolishment of important company rules and regulations related to each of the preceding items, and proposed inclusion in important public documents, etc.
- Matters on which the Board of Directors may ask for advice.

(Compensation Advisory Committee)

- Proposed policy for determining the details of compensation, etc. for individual Directors and Executive Officers
  - Proposed compensation system for Directors and Executive Officers
  - Proposed amount of compensation for each Director and Executive Officer
  - Proposed establishment, revision, or abolishment of important company rules and regulations related to each of the preceding items, and proposed inclusion in important public documents, etc.
  - Matters on which the Board of Directors may ask for advice.
- The Executive in charge of human resources attend the deliberations of the committees as the secretariat to support the operation of the committees, including preparing the minutes, and may have an assistant attend as necessary. The Compensation Advisory Committee of the Company has appointed Willis Towers Watson PLC, an external compensation consultant, as an advisor, and conducts appropriate deliberations based on the objective and sufficient information provided by the company. The role of the company is limited to proceeding with effective deliberation and providing indirect support for consensus building in the Compensation Advisory Committee, and the content of proposals to the Board of Directors is determined by the Compensation Advisory Committee.

**(5) Policies and Procedures for Nominating Candidates for Directors and Audit & Supervisory Board Members (Principle 3-1 (iv), Supplementary Principle 4-11 ①)**

- Regarding Inside Directors, the Company appoints candidates who understand and practice the Sumitomo Spirit centered on “*Banji-nissei*,” “*Shinyo-kakujitsu*,” and “*Fusu-furi*,” who have abundant experience and an excellent track record in the Company’s business, who have the ability to make objective judgments regarding management based on the current environment surrounding the Company and future changes, and who have excellent character and intelligence, such as foresight and insight.
- Regarding Outside Directors, from among persons with experience in corporate management, experts in various fields, and academics, the Company appoints candidates who are appropriate for supervising the Company's management from the perspective of ensuring the sustainable growth and enhancing corporate value over the medium to long term.
- If a Director is found to have committed a serious violation of laws, regulations, or the Articles of Incorporation, or if a Director is deemed unable to properly fulfill their roles and responsibilities as a Director, the Company will deliberate on the submission of a proposal for dismissal at the General Meeting of Shareholders in accordance with the circumstances concerned.
- Regarding Audit & Supervisory Board Members, the Company appoints candidates with experience in corporate management and expertise in law, finance, and accounting.
- The Nominating Advisory Committee deliberates on the appointment of candidates for Directors and Audit & Supervisory Board Members and the submission of proposals for the dismissal of Directors to the General Meeting of Shareholders, and the Board of Directors makes decisions based on its reports.
- Please refer to the “Skill Matrix” on the Company’s website (<https://sumitomoelectric.com/company/skillsmatrix>) and in the reference documents of the Convocation Notice of the General Meeting of Shareholders as a disclosure regarding the combination of skills possessed by Directors.

**(6) Board Policies and Procedures in Determining the Compensation for the Senior Management and Directors, etc. (Principle 3-1 (iii))**

- While adhering to the universal basic policy of contributing to society through fair business activities in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, the compensation system is designed to provide an incentive for the Group to achieve sustainable growth and enhance its corporate value over the medium to long term.

#### ① **Composition of Compensation for Directors**

- The compensation for Directors consists of monthly compensation and bonuses.

#### ② **Policy for Determination of Monthly Compensation**

- The Company sets monthly compensation tables for each position based on the role and responsibility of each position and their contribution to the Company's business performance, while ensuring the objectivity of compensation levels by utilizing third-party surveys of compensation for executives at companies with similar businesses and sizes.
- The amount of the table to be applied to each Director is determined from a medium- to long-term perspective, taking into consideration the role and responsibility of them, the size and complexity of the area of responsibility, the degree of difficulty, and the degree of contribution to the Company's business performance.
- The total amount to be paid is determined within the framework of the amount of compensation approved and resolved at the General Meeting of Shareholders.

#### ③ **Policy for Determination of Bonuses**

- The total amount of bonuses is determined based on the Company's business performance in each fiscal year, particularly sales, operating income, ROIC, and net income, which the Company places importance on in its management strategy, as well as the overall dividend level and other factors, while ensuring the objectivity of the compensation level by utilizing third-party surveys of compensation for executives at companies of similar business content and sizes. The Company determines the level of compensation by resolution of the General Shareholders Meeting, taking into consideration its business performance in each fiscal year, especially sales, operating income, ROIC, net income and other factors that are important to its management strategy, as well as dividend levels.
- The allocation of bonuses to each Director is set at a level that provides an incentive for each Director from a medium- to long-term perspective, taking into consideration qualitative factors such as position, level of responsibility, achievement of major targets (sales, profit indicators, ROIC, etc.) in the division under management, contribution to the Company's business performance each fiscal year, and qualities required to achieve these targets.
- In order to ensure the independence of Outside Director, bonuses are not paid to them.

#### ④ **Policy for Determination of the Ratio of Monthly Compensation to Bonus**

- The ratio of monthly compensation to bonus is not set, but is subject to change based on performance indicators and individual evaluations as described in the previous section (③ Policy for Determination of Bonuses).
- The ratio of monthly compensation to bonuses has been generally 1:0.24 to 0.5 over the past several years.

#### ⑤ **Procedures for Determination of Compensation**

- Monthly compensation and bonuses are determined by the Compensation Advisory Committee, which deliberates from an objective perspective on important matters such as the determination policy, establishment, revision, or abolishment of related regulations, and specific bonus amounts based on individual monthly compensation and performance evaluations.
- The Board of Directors, based on the report of the Compensation Advisory Committee, deliberates and decides on the establishment, revision, or abolishment of decision-making policies and regulations, and also decides the total amount

of bonuses for each fiscal year and the content of proposals to the General Meeting of Shareholders when the maximum amount of total monthly compensation is to be revised.

- The President, who is delegated by the Board of Directors, determines the specific amount of monthly compensation and bonuses for each Director, together with the timing and method of payment of such compensation, based on the report of the Compensation Advisory Committee.
- Compensation for Audit & Supervisory Board Members is determined by the deliberation of the Audit & Supervisory Board Members within the amount of compensation approved by the General Meeting of Shareholders.

#### **⑥ Holding of the Company's Share**

- The Company encourages Inside Directors to hold its shares through the Officer Shareholding Association by setting a certain target level, and to hold such shares continuously during their term of office, in order to further motivate them to improve the Company's business performance and to enhance the sustainable growth and corporate value over the medium to long term.

#### **(7) Explanations with Respect to Individual Appointments and Nominations of Director and Audit & Supervisory Board Member Candidates (Principle 3-1 (v))**

- For the reasons for the appointment of candidates for Directors and Audit & Supervisory Board Members, please refer to the reference documents in the Convocation Notice of the General Meeting of Shareholders.

#### **(8) Disclosure of Concurrent Positions of Directors and Audit & Supervisory Board Members (Supplementary Principle 4-11 ②)**

- Please refer to the Convocation Notice of the General Meeting of Shareholders (Business Report).

#### **(9) Role of Independent Outside Directors**

- The Company's Independent Outside Directors are primarily responsible for providing advice on overall management, including management policies and strategies, as well as supervising Directors from an independent and objective standpoint.

#### **(10) Independence Standards and Qualification for Independent Outside Directors (Principle 4-9)**

- In appointing candidates for Outside Directors and Outside Audit & Supervisory Board Members, the Company complies with the independence standards stipulated by financial instruments exchanges and carefully investigates and confirms their conflicts of interest with the Company before making a decision on their independence.

#### **(11) Establishment of Procedures for Related Party Transactions and Disclosure of Such Procedures (Principle 1-7)**

- Competitive transactions and transactions involving conflicts of interest between the Company and Directors are subject to approval procedures by the Board of Directors in accordance with laws, regulations, and internal rules. In the event that such transactions are conducted, the material facts are reported to the Board of Directors.
- Transactions with related parties that may harm the Company or the common interests of its shareholders are also carefully deliberated by the Board of Directors, with emphasis on the opinions of Outside Directors and Outside Audit & Supervisory Board Members.

#### **(12) Audit System by Audit & Supervisory Board Members**

- The majority of Audit & Supervisory Board Members are Independent Outside Audit & Supervisory Board Members with various expertise and multiple perspectives, and these Audit & Supervisory Board Members, together

with full-time Audit & Supervisory Board Members and staff dedicated to auditing, work together with the Internal Audit Division and Accounting Auditors to monitor legal and appropriate management.

- In accordance with auditing standards, policies, and assignments determined by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings, interviews Directors, the Internal Audit Division, and other employees, inspects important approval documents, and visits major business offices, etc., and receives reports from other Audit & Supervisory Board Members regarding their auditing activities, as well as exchanges information with the Accounting Auditor as appropriate.

### **(13) Secretariat of the Board of Directors**

- The Secretariat of the Board of Directors establishes a system to distribute the materials of the Board of Directors' proposals to each Director and Audit & Supervisory Board Member, including Outside Directors, prior to the date of the Board of Directors' meeting, in order to facilitate fruitful discussions at each meeting of the Board of Directors.
- The Secretariat of the Board of Directors sets the schedule of the regular meeting of the Board of Directors for the following year by the end of the year and inform the Directors and Audit & Supervisory Board Members of the schedule.

### **(14) Training for Directors and Audit & Supervisory Board Members (Supplementary Principle 4-14 ②)**

- In order for Directors and Audit & Supervisory Board Members to properly fulfill their expected duties and roles as part of an important governance body, the Company systematically provides and mediates training opportunities and provides financial support for such training. This includes training for newly appointed Directors and Audit & Supervisory Board Members to deepen their understanding of the roles and responsibilities, and training for Outside Directors and Audit & Supervisory Board Members to deepen their understanding of the Group, as well as other training to deepen their understanding of laws and regulations, risk management, and the Group's management environment.

### **(15) Analysis and Evaluation of the Effectiveness of the Board of Directors (Supplementary Principle 4-11 ③)**

- As a company with a board of corporate auditors, the Company regularly examines whether the Board of Directors is functioning properly. Based on the results of such examinations, the Company is to improve the functions of the Board of Directors by taking measures to address issues and enhance its strengths.

From this perspective, the Board of Directors is to analyze and evaluate the effectiveness of the Board of Directors every year and disclose a summary of the results. For specific information, please refer to the "Results of Analysis and Evaluation of the Effectiveness of the Board of Directors (conducted in 2022)" at the end of this report.

## **1-5. Relationship with Shareholders**

### **(1) Ensuring Shareholder Rights and Equality**

- The Company takes appropriate measures to ensure that the rights of shareholders are substantially secured, and works to create an environment in which shareholders can exercise their rights appropriately.
- The Company treats all shareholders equally in proportion to their interests and discloses information in a timely and appropriate manner to prevent information disparities among shareholders.

### **(2) Policy on Strategic Shareholding and the Standards for the Exercise of Voting Rights regarding Strategically-held Shares (Principle 1-4)**

- The Company engages in strategic shareholdings primarily for the purpose of building and strengthening long-term, stable relationships with business partners and facilitating business and technology alliances, taking into consideration



their impact on and contribution to ROE and ROIC, and from the perspective of contributing to medium- to long-term improvements in corporate value.

- Shares that are not suitable for the purpose of holding or that are not expected to contribute to medium- to long-term enhancement of corporate value are to be considered for disposal. Individual cross-shareholdings undergo meticulous evaluation each year based on the objectives and perspectives described above as well as the transactional status. The Board of Directors verifies the appropriateness of such holdings and this verification process was also conducted in FY2022.
- Voting rights for cross-shareholdings are basically exercised in accordance with the above-mentioned policy, and the approval or disapproval of each proposal is determined based on the assumption that the exercise of voting rights will lead to an enhancement of the corporate value of the Company and the business partner, taking into consideration the management situation and other factors.
- Specifically, in cases where there is a significant risk of substantial impairment to shareholder value or when there is a sustained underperformance, the department in charge, in consultation with the Accounting and General Affairs Departments, is responsible for evaluating merits and demerits through a prescribed procedure.

### **(3) Concerning the Development of System and Measures to Promote Constructive Dialogue with Shareholders (Principle 5-1)**

- The Company is engaged in constructive dialogue with shareholders to a reasonable extent in order to contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term.
- To this end, the Director in charge of accounting and finance is assigned to oversee dialogue with shareholders and is assisted in this dialogue by a cross-functional secretariat. For institutional investors and analysts, the Company is enhancing communication through financial results briefings and opportunities to respond to press interviews. For general shareholders and investors, the Company actively provides a wide range of information including financial information, press releases, materials for financial results briefings, and video distribution through the Company's website.
- The opinions and issues identified through dialogue are regularly reported to the Board of Directors, with appropriate information management.

### **1-6. Roles of Corporate Pension Funds as Asset Owners (Principle 2-6)**

- In order for the Sumitomo Electric Corporate Pension Fund to fulfill its expected functions as an asset owner, the Company supports the fund to ensure proper management in terms of personnel and operations by assigning staff from the Finance Department, etc. who are qualified to properly manage assets to the secretariat, establishing the Asset Management Committee as an advisory body, and building a system for the secretariat to receive daily advice from independent, highly professional external advisors.
- Furthermore, the Company appoints labor union executives as beneficiary representatives on the Asset Management Committee to ensure that there are no conflicts of interest between the beneficiaries of the corporate pension plan and the Company.

### **[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]**

The unchanging basic policy of Sumitomo Electric is to contribute to society through fair business activities in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles.

Adhering to this basic philosophy and based on the concept of "Multistakeholder Capitalism" ("Goho Yoshi"(Five-Way Win)), which emphasizes the public interest and mutual prosperity with stakeholders, the Sumitomo Electric Group will strive to achieve sustainable growth and increase its corporate value over the medium to long term. At the same time, the Group will continuously return these results to its stakeholders ("Goho Yoshi" (Five-Way Win) Mutual prosperity with

employees, customers, suppliers, communities, and shareholders/investors) as a going concern.

In order to achieve this growth and return, Sumitomo Electric strives to maintain a strong financial structure and works to strengthen profitability and improve capital efficiency as top priorities, with ROIC as the key indicator.

As quantitative targets for capital efficiency, the long-term vision "Sumitomo Electric Group 2030 VISION" calls for a pre-tax ROIC of 10% or more, and the Mid-term Management Plan 2025 calls for a pre-tax ROIC of 8% or more and an ROE of 8% or more.

By intensifying its efforts to achieve these goals and to ensure a return on capital in excess of its costs of capital, the Company will strive to increase its corporate value over the medium to long term.

For information on the Company's goals and specific initiatives to increase corporate value, please refer to the following:

- Sumitomo Electric Group 2030 Vision: <https://sumitomoelectric.com/company/segvision2030>
- Mid-term Management Plan 2025: <https://sumitomoelectric.com/company/segmid-term2025>
- Integrated Report: <https://sumitomoelectric.com/sustainability/integrated>
- Financial Results Presentation (on November 13, 2023): <https://sumitomoelectric.com/ir/library>

## 2. Capital Structure

**2-1. Foreign Shareholding Ratio:** 30% or more

### 2-2. Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	129,626,800	16.62
Custody Bank of Japan, Ltd. (Trust Account)	73,666,200	9.44
Nippon Life Insurance Company	24,703,727	3.17
BBH/BBH+CO SUMITOMO MITSUI TRUST BANK, LIMITED (LONDON BRANCH) FOR SIMPLEX VALUE CREATION FUND JPY A CLT A/C	18,655,500	2.39
Sumitomo Life Insurance Company	15,556,500	1.99
The Master Trust Bank of Japan, Ltd. (Trust Account J)	12,590,000	1.61
STATE STREET BANK AND TRUST COMPANY 505001	12,139,686	1.56
STATE STREET BANK WEST CLIENT — TREATY 505234	12,139,080	1.56
Kochi Shinkin Bank	11,303,000	1.45
CEP LUX – ORBIS SICAV	11,265,703	1.44

**2-3. Name of Controlling Shareholder, If Applicable (excluding Parent Company)** \_\_\_\_\_

**2-4. Name of Parent Company, If Applicable:** None

**2-5. Supplementary Explanation** \_\_\_\_\_

## 3. Corporate Attributes

**3-1. Listed Stock Exchange and Market Segment:** Prime Market, Tokyo Stock Exchange; Premier Market, Nagoya Stock Exchange; Main Board, Fukuoka Stock Exchange

**3-2. Fiscal Year-End:** March

**3-3. Business Sector:** Non-ferrous metal

**3-4. Number of Employees (Consolidated) as of the End of the Previous Fiscal Year:** 1,000 or more

**3-5. Net Sales (Consolidated) as of the End of the Previous Fiscal Year:** 1 trillion yen or more

**3-6. Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year:** 300 or more

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder** ———

**5. Other Special Circumstances That May have Material Impact on Corporate Governance**

In the Sumitomo Electric Group 2030 VISION, the Company has indicated its management policy of “enhancing global presence” and will continue to contribute to the development of infrastructure and industries around the world through the development of its global business activities.

The Company currently has two listed subsidiaries, Sumitomo Densetsu Co., Ltd. and Sumitomo Riko Co., Ltd. Both of these companies have long-standing histories, and in the course of building business relationships with the Company, the current capital relationship was determined in order to create synergies while respecting the management autonomy that is considered necessary for the sustainable growth of each company. The specific significance of owning each subsidiary is as follows.

• Sumitomo Densetsu Co., Ltd.

The company is mainly engaged in the equipment work business centered on electrical equipment work. When selling products developed and manufactured by the Company in the field of the environment and energy business, in particular the power business and the industrial wire and cable business, the Company conducts business in collaboration with the company, which has high technological capabilities in engineering, thereby mutually expanding their business opportunities.

• Sumitomo Riko Co., Ltd.

The main business purpose of the company is to manufacture and sell anti-vibration rubber and hoses for automobiles. By collaborating with the company, which expands sales globally and develops new products for next-generation automobiles, the Company enhances the product lineup of the entire Group and further expands its business in anticipation of the spread of electric vehicles, autonomous driving, and connected cars.

The Company recognizes that it is important for individual listed subsidiaries to ensure management independence so that both the Company, which is their parent company, and individual listed subsidiaries will achieve sustainable growth and increase their corporate value. Based on that premise, the Company places great importance on the establishment of an effective governance system that enables listed subsidiaries to ensure independent decision-making.

**II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management**

**1. Organizational Composition and Operation**

**1-1. Corporate Governance System:** Company with Audit and Supervisory Board

**1-2. Directors**

**(1) Number of Directors Stipulated in Articles of Incorporation:** No upper limit

**(2) Directors' Term of Office Stipulated in Articles of Incorporation:** One year

(3) **Chairperson of the Board:** Chairperson (excluding those concurrently serving as President)

(4) **Number of Directors:** 14

(5) **Election of Outside Directors:** Elected

① **Number of Outside Directors:** 5

② **Number of Independent Directors:** 5

③ **Outside Directors' Relationship with the Company (1)**

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hiroshi Sato	From another company								△			
Michihiro Tsuchiya	From another company											
Christina L. Ahmadjian	Academic expert											
Katsuaki Watanabe	From another company											
Atsushi Horiba	From another company								○			

\*Categories for "Relationship with the Company."

(Use "○" when the Director presently falls or has recently fallen under the category; "△" when the Director fell under the category in the past; "●" when a close relative of the Director presently falls or has recently fallen under the category; and "▲" when a close relative of the Director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive Director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to Director/ Audit & Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

④ **Outside Directors' Relationship with the Company (2)**

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Hiroshi Sato	○	Mr. Hiroshi Sato was Chairman of Kobe Steel, Ltd. until March 31, 2016. While the Company has a business relationship with Kobe Steel, Ltd., involving matters such as the purchase and sale of products, the value of each transaction is less	Mr. Hiroshi Sato does not conflict with the independence standards set forth by the Stock Exchange. He has abundant experience and great insight into overall business management, through being involved in the management of a company

		<p>than 1% of the total sales of the Company and Kobe Steel, Ltd. respectively. Therefore, that fact above does not influence his independence. In light of the scale of the transaction, this transaction does not influence the independence of Mr. Hiroshi Sato.</p>	<p>conducting a wide range of business, such as materials, machinery, and energy, with a central focus on iron and steel. In the Board of Directors' meetings etc., he has thus far provided objective and useful opinions and suggestions regarding general management, such as management policies and strategies and internal control, from a position independent from the Company. The Company believes that he can properly perform his duties as an Outside Director. Having determined that there is no risk of conflicts of interest between him and general shareholders, the Company has designated him as an independent officer.</p>
<p>Michihiro Tsuchiya</p>	<p>○</p>	<p>————</p>	<p>Mr. Michihiro Tsuchiya does not conflict with the independence standards set forth by the Stock Exchange. He has abundant experience and great insight into overall business management, through being involved in the management of the companies developing global business activities. In the Board of Directors' meetings etc., he has thus far provided objective and useful opinions and suggestions regarding general management, such as management policies and strategies and internal control, from a position independent from the Company. The Company believes that he can properly perform his duties as an Outside Director. Having determined that there is no risk of conflicts of interest between him and general shareholders, the Company has designated him as an independent officer.</p>
<p>Christina L. Ahmadjian</p>	<p>○</p>	<p>————</p>	<p>Ms. Christina L. Ahmadjian does not conflict with the independence standards set forth by the Stock Exchange. She has great insight and a global perspective as a university professor mainly studying in the</p>

			<p>fields of business management and corporate governance. In the Board of Directors' meetings etc., she has thus far provided objective and useful opinions and suggestions regarding general management, such as management policies and strategies and internal control, from a position independent from the Company. The Company believes that she can properly perform her duties as an Outside Director. Having determined that there is no risk of conflicts of interest between her and general shareholders, the Company has designated her as an independent officer.</p>
Katsuaki Watanabe	○	——	<p>Mr. Katsuaki Watanabe does not conflict with the independence standards set forth by the Stock Exchange. He has been involved in the management of the company, which has operations on a global scale, for many years, and has abundant experience and a high level of insight in general corporate management. In the Board of Directors' meetings etc., he has thus far provided objective and useful opinions and suggestions regarding general management, such as management policies and strategies and internal control from a position independent from the Company. The Company believes that he can properly perform his duties as an Outside Director. Having determined that there is no risk of conflicts of interest between him and general shareholders, the Company has designated him as an independent officer.</p>
Atsushi Horiba	○	<p>Mr. Atsushi Horiba is Chairman and Group CEO of HORIBA, Ltd. and Chairman of HORIBA STEC, Co., Ltd. While the Company has a business relationship with HORIBA, Ltd., involving matters such as the</p>	<p>Mr. Atsushi Horiba does not conflict with the independence standards set forth by the Stock Exchange. He has been involved in the management of the companies, which have operations on a global scale, for many years, and has abundant</p>

		purchase of equipment, the value of each transaction is less than 1% of the total sales of the Company and HORIBA, Ltd. respectively. In addition, while the Company has a business relationship with HORIBA STEC, Co., Ltd., involving matters such as the purchase of equipment, the value of each transaction is less than 1% of the total sales of the Company and HORIBA STEC, Co., Ltd. respectively. In light of the scale of the transaction with each company, these transactions do not influence the independence of Mr. Atsushi Horiba.	experience and a high level of insight in general corporate management. In the Board of Directors' meetings etc., he has thus far provided objective and useful opinions and suggestions regarding general management, such as management policies and strategies and internal control, from a position independent from the Company. The Company believes that he can properly perform his duties as an Outside Director. Having determined that there is no risk of conflicts of interest between him and general shareholders, the Company has designated him as an independent officer.
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⑤ **Voluntary Establishment of Committee(s) Equivalent to Nomination Committee or Compensation**

**Committee:** Established

**(a) Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)**

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating Advisory Committee	6	2	2	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Compensation Committee	Compensation Advisory Committee	6	2	2	4	0	0	Outside Director

**(b) Supplementary Explanation**

In order to secure transparency and fairness in nominating candidates for Directors and Audit & Supervisory Board Members and in determining compensation for Directors, the Company has established the Advisory Committees to deliberate the nomination and compensation for senior management, Directors, etc., including Independent Outside Directors. The committees deliberate on the following matters upon request from the Board of Directors, and report to the Board of Directors. For the composition of its members and the content of its deliberations, please refer to "1-4 (4) Nominating and Compensation Advisory Committee" in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" of this report.

The committee members and their attendance are shown in < ref 1 > Members and Status of Attendance at Nominating Advisory Committee and Compensation Advisory Committee in the Current Fiscal Year> as described below.

**< ref 1 > Members and Status of Attendance at Nominating Advisory Committee and Compensation Advisory Committee in the Current Fiscal Year  
(Nominating Advisory Committee)**

Name of committee	Number of meetings	Attendance
Hiroshi Sato (Outside Director) * Chairperson	5	5
Masayoshi Matsumoto	5	5
Osamu Inoue	5	5
Michihiro Tsuchiya (Outside Director)	5	5
Christina L. Ahmadjian (Outside Director)	5	5
Katsuaki Watanabe (Outside Director)	5	5

**(Compensation Advisory Committee)**

Name of committee	Number of meetings	Attendance
Hiroshi Sato (Outside Director) * Chairperson	5	5
Masayoshi Matsumoto	5	5
Osamu Inoue	5	5
Michihiro Tsuchiya (Outside Director)	5	5
Christina L. Ahmadjian (Outside Director)	5	5
Katsuaki Watanabe (Outside Director)	5	5

Regarding the status of committee activities, Nominating Advisory Committee meetings and Compensation Advisory Committee meetings were held a total of five times each in the current fiscal year. For specific agenda items, please refer to < ref 2 > Content of Deliberations in Nominating Advisory Committee and Compensation Advisory Committee in the Current Fiscal Year as described below.

**< ref 2 > Content of Deliberations in Nominating Advisory Committee and Compensation Advisory Committee in the Current Fiscal Year  
(Nominating Advisory Committee)**

Date	Content of Deliberations
April 6, 2022	Deliberations on the new executive structure (after the General Meeting of Shareholders held in June 2022), the Company's disclosed contents (Skill Matrix) and treatment of retired officers, etc.
June 6, 2022	Deliberations on the new executive structure (after the General Meeting of Shareholders held in June 2022), etc.
October 7, 2022	Review of public trends on Corporate Governance, review of the executive structure, etc.
December 7, 2022	Deliberations on the structure of Board of Directors and the Executive Officers, deliberations



	on ensuring diversity of the Board of Directors and succession plans, report on the summary of the Company-wide human resources meeting (succession planning and training status), etc.
February 2, 2023	Deliberations on the Board of Directors and the executive structure, etc.

**(Compensation Advisory Committee)**

Date	Content of Deliberations
April 6, 2022	Review of the total amount of bonuses to be paid to officers, confirmation of the policy for assessing bonuses for officers, trial calculation of the total amount of Directors and Audit & Supervisory Board Members' compensation, review of the Executive Officers' compensation structure, etc.
June 6, 2022	Confirmation of the Company's approach to assessing bonuses for officers, deliberation on the amount of bonuses, monthly compensation for individual officers, etc.
October 7, 2022	Review of public trends on executive compensation, benchmark analyses of executive compensation, etc.
December 7, 2022	Deliberation on review of executive compensation level.
February 2, 2023	Deliberation on review of executive compensation level, confirmation of the policy for assessing bonuses for officers, etc.

**1-3 Audit & Supervisory Board Member**

**(1) Establishment of Audit & Supervisory Board:** Established

**(2) Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation:** No upper limit

**(3) Number of Audit & Supervisory Board Members:** 5

**(4) Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments**

Regarding cooperation between Audit & Supervisory Board Members and Accounting Auditors, they discuss an audit plan at the beginning of the fiscal year, receive reports on the implementation status of the interim audit and points to note for the final audit, exchange opinions during the fiscal year, and receive explanation of the audit results and exchange opinions at the stage of preparing an audit report. Moreover, they report and exchange opinions as necessary.

Regarding cooperation between Audit & Supervisory Board Members and the Internal Auditing Department, they exchange opinions on how to proceed with audits at the stage of preparing an internal audit plan, during the interim period, and as necessary. The results of internal audits are reported after each audit.

**(5) Appointment of Outside Audit & Supervisory Board Members:** Appointed

**① Number of Outside Audit & Supervisory Board Members:** 3

**② Number of Independent Audit & Supervisory Board Members:** 3

**③ Outside Audit & Supervisory Board Members' Relationship with the Company (1)**

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Michiko Uehara	Attorney at law													
Ikuo Yoshikawa	Certified public accountant												○	
Tatsuo Kijima	From another company										△			

\*Categories for "Relationship with the Company".

(Use “○” when the Director presently falls or has recently fallen under the category; “△” when the Director fell under the category in the past; “●” when a close relative of the Director presently falls or has recently fallen under the category; and “▲” when a close relative of the Director fell under the category in the past.)

- a. Person who executes business of the Company or a subsidiary
- b. A non-executive Director or an accounting advisor of the Company or its subsidiaries
- c. Person who executes business or a non-executive Director of a parent company
- d. An Audit & Supervisory Board Member of a parent company of the Company
- e. Person who executes business of a fellow subsidiary
- f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- g. Major client of the Company or a person who executes business for such client
- h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to Director/Audit & Supervisory Board Member compensation from the Company
- i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- m. Other

③ **Outside Audit & Supervisory Board Members’ Relationship with the Company (2)**

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Michiko Uehara	○	—	Ms. Michiko Uehara does not conflict with the independence standards set forth by the Stock Exchange. She has been involved in the judiciary as a judge and an attorney-at-law. Based on her high level of insight and abundant experience regarding corporate legal affairs, including compliance, she has provided opinions and suggestions mainly on business management, including risk management, measures based on changes in global regulations and the misconduct of other companies, and points to note on corporate governance from a position independent from the Company. Having determined that there is no risk of conflicts of interest between her and general shareholders, the Company has designated her as an independent officer.
Ikuo Yoshikawa	○	Mr. Ikuo Yoshikawa is a visiting professor at the Professional Graduate School of Kwansei Gakuin University. As part of its	Mr. Ikuo Yoshikawa does not conflict with the independence standards set forth by the Stock Exchange. He has many years of

		<p>social contribution activities, the Company has donated to the junior and senior high school that was integrated in April 2010 by the Kwansei Gakuin Educational Foundation, the operator of Kwansei Gakuin University, since before the integration. The Company has also paid costs and the like for collaborative research with the university and membership fees to the Research Consortium of the university. However, there are no business transactions between the Company and the said foundation or other donations from the Company. In light of the amount and nature of such donations, they do not influence the independence of Mr. Ikuo Yoshikawa.</p>	<p>abundant experience as a certified public accountant and a high level of insight in the accounting field as a result of engaging in research mainly on accounting as a university professor. He has provided opinions and suggestions mainly on business management, including risk management, measures based on changes in global regulations and the misconduct of other companies, and points to note on corporate governance from a position independent from the Company. Having determined that there is no risk of conflicts of interest between him and general shareholders, the Company has designated him as an independent officer.</p>
Tatsuo Kijima	○	<p>Mr. Tatsuo Kijima was Vice Chairman and Director of West Japan Railway Company until June 23, 2021. While the Company has a business relationship with West Japan Railway Company, involving matters such as the sale of products, the value of each transaction is less than 1% of the total sales of the Company and West Japan Railway Company respectively. In light of the scale of the transaction, this transaction does not influence the independence of Mr. Tatsuo Kijima.</p>	<p>Mr. Tatsuo Kijima does not conflict with the independence standards set forth by the Stock Exchange. He has been involved in the management of the company, which has supported transportation and other social infrastructure, for many years, and has abundant experience and a high level of insight in overall corporate management. He has provided opinions and suggestions mainly on the effective management of the entire Group, measures based on changes in global regulations and the misconduct of other companies, and points to note on corporate governance from a position independent from the Company. Having determined that there is no risk of conflicts of interest between him and general shareholders, the Company has designated him as an independent officer.</p>

#### 1-4. Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

##### (1) Number of Independent Directors and Independent Audit & Supervisory Board Members: 8

## **(2) Other Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members**

The Company has designated all Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers in accordance with the provisions of the Tokyo Stock Exchange.

### **1-5. Incentives**

**(1) Implementation Status of Measures related to Incentives Granted to Directors:** Introduction of Performance-linked Compensation Scheme

#### **Supplementary Explanation for Applicable Items**

Please refer to “1-4 (6) Board Policies and Procedures in Determining the Compensation for the Senior Management and Directors, etc., ③ Policy for Determination of Bonuses, ④ Policy for Determination of the Ratio of Monthly Compensation to Bonus, and ⑤ Procedures for Determination of Compensation” in “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information” of this report.

**(2) Persons Eligible for Stock Options** ———

**Supplementary Explanation for Applicable Items** ———

### **1-6. Director Compensation**

**(1) Status of Disclosure of Individual Directors' Compensation:** Disclosure for Selected Directors

#### **Supplementary Explanation for Applicable Items**

**① Total Amount of Compensation, etc. in FY2022 by Officer Category and by Type of Compensation, and Number of Eligible Officers**

Total amount of compensation, etc. for 11 Directors (excluding Outside Directors): 843,100,000 yen (Basic compensation: 593,100,000 yen; Bonus: 250,000,000 yen)

Total amount of compensation, etc. for three Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members): 75,000,000 yen (Basic compensation: 75,000,000 yen)

Total amount of compensation, etc. for 8 Outside Officers: 144,000,000 yen (Basic compensation: 144,000,000 yen)

**② Total Amount of Compensation, etc. in FY2022 for Officers Whose Total Compensation Exceeds 100 million yen**

Total amount of compensation, etc. for Masayoshi Matsumoto (Chairman & CEO): 188,500,000 yen (Basic compensation: 129,000,000 yen; Bonus: 59,500,000 yen)

Total amount of compensation, etc. for Osamu Inoue (President & COO): 151,900,000 yen (Basic compensation: 117,000,000 yen; Bonus: 34,900,000 yen)

**(2) Policy for Determination of Compensation Amounts and the Calculation Methods Thereof:** Established **Disclosure of Policy for Determination of Compensation Amounts and the Calculation Methods Thereof**

The Company has established a policy for determining the compensation for individual Directors. The details of compensation are deliberated on by the Compensation Advisory Committee, which is chaired by an Independent Outside Director and is composed, in the majority, of Independent Outside Directors, and are resolved by the Board of

Directors based on the report from the Compensation Advisory Committee. Please refer to “1-4 (6) Board Policies and Procedures in Determining the Compensation for the Senior Management and Directors, etc.” in “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information” of this report. The specific content of the other policies is as follows.

### ① Indices, Targets, Results, etc. Related to Performance-Based Bonuses

The targets and results of the indices related to performance-based bonuses for this fiscal year are as shown in the following table. (Amount: one million yen)

#### (a) Results in the last fiscal year

Net sales: 3,367,863; operating income: 122,195; operating income margin: 3.6%; ordinary income: 138,160; profit attributable to owners of the parent: 96,306; ROIC: 4.5%; ROE: 5.7%

#### (b) Targets (at the beginning of the year)

Net sales: 3,850,000; operating income: 160,000; operating income margin: 4.2%; ordinary income: 165,000; profit attributable to owners of the parent: 100,000; ROIC: 5.4%; ROE: 5.6%

#### (c) Targets (in interim)

Net sales: 4,000,000; operating income: 160,000; operating income margin: 4.0%; ordinary income: 163,000; profit attributable to owners of the parent: 100,000; ROIC: 5.4%; ROE: 5.6%

#### (d) Results

Net sales: 4,005,561; operating income: 177,443; operating income margin: 4.4%; ordinary income: 173,348; profit attributable to owners of the parent: 112,654; ROIC: 5.9%; ROE: 6.1%

#### (e) Year – over – year

Net sales: +18.9%; operating income: +45.2%; operating income margin: +0.8%; ordinary income: +25.5%; profit attributable to owners of the parent: +17.0%; ROIC: +1.4%; ROE: +0.4%

(Note) Regarding the target figures, those (at the beginning of the year) are the consolidated performance forecasts at the time of announcement of the financial results for the fiscal year ended in March 2022, and those (in interim) are the consolidated performance forecasts revised at the time of the announcement of the financial results for the second quarter of the fiscal year ended in March 2023.

### ② Matters Concerning Delegation Related to Determining Directors’ Individual Compensation, etc.

The approach and method of calculation of Directors’ monthly compensation and bonuses and proposed individual amounts based thereon are discussed by the Compensation Advisory Committee. Based on this report, the Board of Directors approves the approach and method of calculation of monthly compensation and bonuses, and adopts resolutions that the specific amounts, timing, and method of payment would be delegated to the President (Osamu Inoue), who receives an overview of the performance of the Company as a whole and evaluates each Executive Director. The President decides the amounts of individual monthly compensation and bonuses in line with the proposal reported by the Compensation Advisory Committee and based on the content discussed by the Board of Directors.

### ③ Reasons Why the Board of Directors Determined that the Content of Compensation, etc. for Individual Directors for This Fiscal Year Is in Line with the Policy for the Determination

The amount of monthly compensation and bonus for each individual Director are determined based on the policy for determine Directors' compensation after discussions by the Compensation Advisory Committee based on an objective perspective, and the Board of Directors determines that such amounts are in line with the policy for the determination.

### ④ Shareholders' Meeting Resolution regarding Compensation, etc. for Officers

The monthly compensation for Directors was resolved at the General Meeting of Shareholders held on June 25, 2021 to be no more than 70 million yen per month (and no more than 10 million yen per month for Outside Directors). At that time, the Company had 15 Directors (including five Outside Directors). With respect to Directors' bonuses, 250 million yen will be paid in total for ten Directors (excluding three Outside Directors) as resolved at the shareholders' meeting held on June 28, 2023. In addition, with respect to the total amount of monthly compensation for Audit & Supervisory Board Members, the amount of compensation for five Audit & Supervisory Board Members is no more than 12 million yen per month as resolved at the General Meeting of Shareholders held on June 25, 2021.

### 1-7. Support System for Outside Directors and/or Outside Audit & Supervisory Board Members

The secretariat (Administration Division) and the secretary of the Board of Directors play a central role in supporting Outside Directors, offering information on management in cooperation with each department, and providing explanations in advance on the content of matters to be submitted for deliberation by the Board of Directors. Full-time Audit & Supervisory Board Members provide necessary information to Outside Audit & Supervisory Board Members, including prior explanations related to the Board of Directors. The Company has also established the Office of Audit & Supervisory Board Members, and its staff members support the activities of Outside Audit & Supervisory Board Members. In addition, a secretary has been assigned to manage their schedules.

### 1-8. Statuses of Persons Who Have Retired as Representative Director and President, etc.

#### (1) Information on Persons Holding Advisory Positions (Sodanyaku, Komon, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Noritaka Kurauchi	Honorary advisor	Economic group activities, social contribution activities, etc.	Part-time without compensation	June 27, 2003	None

#### (2) Number of Persons Holding Advisory Positions (Sodanyaku, Komon, etc.) After Retiring as Representative Director and President, etc.: 1

#### (3) Other Related Matters

- Persons with experience serving as company Chairman or President may be appointed as senior executive advisors due to the need to engage in external activities.
- Although the term of office of senior executive advisors is up to 80 years old, they may become honorary advisors (with no fixed term) after the term of office expires.
- The Company has no senior executive advisors as of the last update date of this report.
- Although honorary advisors receive no compensation, in principle, they may be paid according to the duties they are engaged in.
- Senior executive advisors and honorary advisors are not involved in any decision-making in management and do not receive regular reports from the management.
- The Company has no consultant systems.

## **2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)**

To clarify authority and responsibility in the business execution system and establish a flexible system that can respond to changes in the business environment, the Company has adopted the Executive Officer System and the Business Unit System. Authority to execute business operations has been transferred to business units while their responsibility has been clarified, and to establish an internal check function, its corporate regulations specify the scope of authority of each of the units, including the Corporate Staff Group, responsible personnel for the execution, and appropriate business procedures.

For specific information about the functions and roles of the Board of Directors, please refer to “1-4 (1) Functions of the Board of Directors” and “(2) Scope of the Matters Delegated by the Board of Directors to the Management” in “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information” of this report.

Regarding the supervisory function of the Board of Directors, in order to ensure its independence and objectivity, the Company respects the opinions of Independent Outside Officers, especially Independent Outside Directors. In addition, one third or more of the Board of Directors elected are Independent Outside Directors. The Company will strengthen the support system for Independent Outside Directors and the cooperation system with Audit & Supervisory Board Members, including Independent Outside Audit & Supervisory Board Members, Accounting Auditors, and the Internal Auditing Department.

The Board of Directors meets regularly once a month and on a temporary basis as needed. Chaired by the Chairman & CEO, the Board of Directors deliberates on and determines the matters described above, decides the basic policy of the internal control system, and supervises the maintenance and operation of the system. The following is the status of attendance by Directors and Audit & Supervisory Board Members at FY2022 Board of Directors’ meetings held after June 28, 2023, when the 153rd Ordinary General Meeting of Shareholders was held.

	Name	Attendance status
Chairman & CEO held	Masayoshi Matsumoto (Chairperson)	Attended 15 out of the 15 meetings
President & COO	Osamu Inoue	Attended 15 out of the 15 meetings held

Executive Vice President	Mitsuo Nishida	Attended 15 out of the 15 meetings held
Executive Vice President	Hideo Hato	Attended 15 out of the 15 meetings held
Senior Managing Director	Akira Nishimura	Attended 15 out of the 15 meetings held
Managing Director	Masaki Shirayama	Attended 15 out of the 15 meetings held
Managing Director	Yasuhiro Miyata	Attended 15 out of the 15 meetings held
Managing Director	Toshiyuki Sahashi	Attended 15 out of the 15 meetings held
Managing Director	Shigeru Nakajima	Attended 12 out of the 12 meetings held
Outside Director	Hiroshi Sato	Attended 15 out of the 15 meetings held
Outside Director	Michihiro Tsuchiya	Attended 15 out of the 15 meetings held
Outside Director	Christina L. Ahmadjian	Attended 15 out of the 15 meetings held
Outside Director	Katsuaki Watanabe	Attended 15 out of the 15 meetings held
Outside Director	Atsushi Horiba	Attended 13 out of the 15 meetings held
Audit & Supervisory Board Member (Standing Member)	Yoshitomo Kasui	Attended 15 out of the 15 meetings held
Audit & Supervisory Board Member (Standing Member)	Akira Hayashi	Attended 15 out of the 15 meetings held
Outside Audit & Supervisory Board Member	Michiko Uehara	Attended 15 out of the 15 meetings held
Outside Audit & Supervisory Board Member	Ikuo Yoshikawa	Attended 15 out of the 15 meetings held
Outside Audit & Supervisory Board Member	Tatsuo Kijima	Attended 15 out of the 15 meetings held

With the aim of ensuring transparency and fairness in the nomination of candidates for Directors and Audit & Supervisory Board Members and in the determination of Directors' compensation, the Company has established the Nominating Advisory Committee and the Compensation Advisory Committee for the senior management, Directors and other officers. For specific information, please refer to "1-4 (4) Nominating and Compensation Advisory Committees" in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" of this report.

For Audit & Supervisory Board Members and Audit & Supervisory Board, please refer to "1-4 (12) Audit System by Audit & Supervisory Board Members" in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information" of this report.

The full-time Audit & Supervisory Board Members hold regular meetings with the Accounting Auditor, the Internal Audit Department, and the Corporate Staff Group, conduct a bi-directional examination of the causes of misconduct cases based on past troubles, key management points, and departments and affiliate companies needing attention in terms of accounting, sharing issues and policies, clarify the division of roles, and strive to establish an efficient and effective audit system.

Mr. Akira Hayashi, a full-time Audit & Supervisory Board Member, has many years of experience in the accounting and finance departments of the Company and has considerable knowledge of finance and accounting matters. Mr. Ikuo Yoshikawa, an Outside Audit & Supervisory Board Member, has been involved in auditing practice for many years as a certified public accountant affiliated with an audit firm. He also has experience as a university professor specializing in



accounting, and thus his profound understanding of financial and accounting affairs is noteworthy.

The department in charge of internal audits is the Internal Auditing Department (the number of members as of March 31, 2023: 49). The Internal Auditing Department, in accordance with the internal audit regulations and prescribed audit plan, executes comprehensive audits, including on-site investigations, across the Group companies and affiliates. Through these audits, the department identifies any issues or challenges and presents proposals for improvement to guarantee optimal and efficient business operations. The department also diligently verifies the implementation status of corrective measures for identified issues and proceeds to report the full-time Audit & Supervisory Board Members at an audit result debriefing session among those involved in audit implementation, followed by a meeting with an audited department held for each audit project. Audit plans and performance results are shared and opinions are exchanged at the Audit & Supervisory Board meeting every six months, and audit results are reported once a year at the Board of Directors meeting. In addition, the Internal Audit Department hold regular quarterly meetings, exchanging opinions with the Accounting Auditor, and also hold meetings and discuss as necessary.

The members in charge of audits of the Company are Mr. Daisuke Harada, Mr. Toshiyuki Maeda, and Mr. Mitsuhiro Matsumoto, who are audit engagement partners, 23 certified public accountants as assistants in audit work, and 27 other members. The consecutive audit period is 54 years (\*).

(\*) The period stated above denotes the consecutive audit period after Asahi & Co., one of the predecessors of KPMG AZSA, which is the current Accounting Auditor of the Company, was incorporated as an audit corporation because it was extremely difficult to investigate the period before the abovementioned period. The actual consecutive audit period may exceed this period.

Business relationships that have arisen since FY2022 between the Company and other companies where its Outside Directors and Outside Audit & Supervisory Board Members currently serve as executives or served as executives within the past 10 years are as described in “Supplementary Explanation of the Applicable Relationship” for Independent Officers. None of them has any special interest relationship with the Company that may affect the performance of their duties.

Mutual cooperation between supervision/audits by Outside Directors/Outside Audit & Supervisory Board Members and internal audits, audits by Audit & Supervisory Board Members, and accounting audits as well as relationships with the Internal Control Department are as described above.

The Company has provisions with regard to the limited liability agreement with Outside Directors and Outside Audit & Supervisory Board Members in the Articles of Incorporation. Below is an outline of the limited liability agreement that the Company has concluded with all Outside Directors and Outside Audit & Supervisory Board Members based on the provisions of the Articles of Incorporation.

· After concluding the limited liability agreement, Outside Directors or Outside Audit & Supervisory Board Members are, with respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act, liable for damages up to 10 million yen or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher, on the condition that they perform their duties in good faith and without gross negligence.

### **3. Reasons for Adoption of Current Corporate Governance System**

Since Audit & Supervisory Board Members and the Audit & Supervisory Board have played a certain role in ensuring the soundness of management, the Company employs the system with the Audit & Supervisory Board. The Board of Directors, the business execution system, Audit & Supervisory Board Members, and the Audit & Supervisory Board are committed to fulfilling their respective duties in order to achieve sustainable growth and medium- and long-term increases in the corporate value based on the basic philosophy.

In addition, five Outside Directors are appointed to adopt an external perspective with the aim of further strengthening the supervising functions of the Board of Directors and enhancing the transparency and objectivity of the business management. The Company also selects three Outside Audit & Supervisory Board Members with various specialized knowledge and multifaceted views so that Outside Audit & Supervisory Board Members account for the majority of the Audit & Supervisory Board Members, with the aim of reinforcing the monitoring system for the purpose of ensuring lawful and proper management.

The details are as described in Section 2. Although the Company believes that its corporate governance functions properly under the above current system, it will continue to work to further enhance the system.

## **III. Implementation of Measures for Shareholders and Other Stakeholders**

### **Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights**

#### **1-1. Early Posting of Notice of the General Shareholders Meeting**

Since the Ordinary General Meeting of Shareholders held in June 2006, the Company has sent out a convocation notice one week prior to the statutory deadline. Furthermore, the Company commences electronic provision measures on its website, etc. a week or more before the statutory deadline.

#### **1-2. Scheduling of the General Shareholders Meeting During Non-Peak Days**

Since the Ordinary General Meeting of Shareholders held in June 2006, the General Meeting of Shareholders has been held on a day other than the day on which meetings of many other companies are concentrated.

#### **1-3. Electronic Exercise of Voting Rights**

Since the Ordinary General Meeting of Shareholders held in June 2006, the digitalization of exercising voting rights has been put into effect.

#### **1-4. Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights**

Since the Ordinary General Meeting of Shareholders held in June 2008, the Company has used the electronic voting platform for institutional investors.

### **1-5. Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English**

Since the Ordinary General Meeting of Shareholders held in June 2006, an English version of the convocation notice has been prepared and posted together with the Japanese version on the Company's website. In the past, only convention notices (in a narrow sense) and reference documents for the General Meeting of Shareholders were translated into English. However, since the Ordinary General Meeting of Shareholders held in June 2015, business reports and consolidated financial statements have also been translated into English.

## **2. Status of IR-related Activities**

### **2-1. Formulation and Publication of Disclosure Policies**

The Policy was established in September 2006 and is posted on the Company's website at <https://sumitomoelectric.com/sustainability/csr/disclosure>

### **2-2. Regular Investor Briefings held for Individual Investors** \_\_\_\_\_

**Explanation by Representative Director or Representative Executive Officer** \_\_\_\_\_

### **2-3. Regular Briefings for Analysts and Institutional Investors**

**Explanation by Representative Director or Representative Executive Officer:** Held

After the announcement of the year-end and interim financial results, the Company holds financial results briefings, where the President explains the summary of financial statements, management policies, and the progress of the mid-term management plan, etc. to institutional investors and financial analysts. In addition, individual meetings and interviews are also organized as needed. Through these activities, the Company strives to raise the understanding thereof among the parties concerned, while at the same time working to enhance communication by directly listening to objective opinions and questions regarding its business.

### **2-4. Regular Briefings for Overseas Investors** \_\_\_\_\_

**Explanation by Representative Director or Representative Executive Officer** \_\_\_\_\_

### **2-5. Online Disclosure of IR Information**

The Company has created a dedicated IR information page on its website that posts the following IR materials: Financial Reports (Fact Books), and supplementary documents, Annual Securities Reports (available only in Japanese) and Quarterly Reports (available only in Japanese), Convocation Notice of the General Meeting of Shareholders, Integrated Reports, Financial Highlights, IR Calendars, financial briefing materials and videos.

Supplementary materials, Convocation Notice of General Meeting of Shareholders, Integrated Report, Financial Reports (Fact Books), Financial Highlights, IR Calendars, and financial briefing materials are also available in English.

- Japanese site: <https://sumitomoelectric.com/jp/ir>
- English site: <https://sumitomoelectric.com/ir>

### **2-6. Establishment of Department and/or Placement of Manager in Charge of IR**

The department in charge of IR is the IR Office, Accounting Division.

### **3. Status of Measures to Ensure Due Respect for Stakeholders**

#### **3-1. Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders**

The concept of “multistakeholder capitalism,” which forms the pillar of the Company’s basic management philosophy, is described in “1. Basic Views” in “I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information” of this report.

The Company has established the Sumitomo Electric Group Corporate Philosophy, Fundamental Policy for Sustainability Management, Multistakeholder Policy, Sumitomo Electric Group 2030 VISION, and Mid-term Management Plan 2025 as provisions for respecting the position of stakeholders, and the Company discloses these on its website.

- Sumitomo Electric Group Corporate Principles: <https://sumitomoelectric.com/company/vision>
- Fundamental Policy for Sustainability Management: <https://sumitomoelectric.com/sustainability/policy>
- Multistakeholder Policy: [https://sumitomoelectric.com/jp/sites/japan/files/2023-05/download\\_documents/multi-stakeholder.pdf](https://sumitomoelectric.com/jp/sites/japan/files/2023-05/download_documents/multi-stakeholder.pdf) (available only in Japanese)
- Sumitomo Electric Group 2030 Vision: <https://sumitomoelectric.com/company/segvision2030>
- Mid-term Management Plan 2025: <https://sumitomoelectric.com/company/segmid-term2025>

#### **3-2. Implementation of Environmental Preservation Activities and CSR Activities, etc.**

For the Company’s environmental preservation activities and CSR activities, please refer to the Company’s website (<https://sumitomoelectric.com/sustainability/csr>), Integrated Report and CSR Book.

#### **3-3. Formulation of Policies, etc. on Provision of Information to Stakeholders**

The Company’s policy for providing information to stakeholders is stipulated in the Sumitomo Electric Group Charter of Corporate Behavior and the Fundamental Policy for Sustainability Management, which are available on the Company’s website.

- Sumitomo Electric Group Charter of Corporate Behavior: <https://sumitomoelectric.com/company/vision>
- Fundamental Policy for Sustainability Management: <https://sumitomoelectric.com/sustainability/policy>

#### **3-4. Other ———**

## **IV. Matters Concerning the Internal Control System**

### **1. Basic Views on Internal Control System and Status of Development**

An outline of the development and operational status of the systems necessary to ensure the propriety of operations of a stock company (basic policies regarding the establishment of an internal control system), pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act of Japan, and Article 100, Paragraphs 1 and 3 of the Regulations for Enforcement of the Companies Act, is as follows. The Company endeavors to further enhance its internal control system and, if it intends to revise the basic policy on the internal control system, refers the matter to the Board of Directors.

#### **1-1. Basic Policy on Internal Control System**

##### **(1) Systems for Preservation and Management of Information Related to the Execution of Duties by Directors**

The Company produces and keeps the minutes of Board of Directors meetings, and records and appropriately manages information regarding the execution of duties and making of decisions by Directors, such as an internal

document for drafting proposals and making internal approvals, as set forth in the internal rules of information management, the internal rules of document handling, and the internal rules of papers preservation.

## **(2) Internal Rules and Other Systems for Managing Risk of Loss**

Regarding major cross-Group risks such as those related to disaster, quality, safety, environment, credit extension, and export and import trade controls, risk management are to be conducted by each department or division. Each department or division assesses the risks pertaining to implementation of the business it controls pursuant to the responsive measures, accident examples, and preventative measures, which are shared within the Group either by the Corporate Staff Group, which is responsible for each risk, or by the committees hosted by Directors, etc. (meaning the Executive Directors or Executive Officers, hereinafter the same) who are in charge of the Corporate Staff Group.

Regarding pressing issues such as bribery prevention, cyber security, measures relating to infectious diseases, management of confidential information and personal information, and legal, labor and tax issues, which are increasingly important in conjunction with global business development, the Company intends to develop systems and reinforce its commitments through cooperation among relevant departments and divisions under the initiative of the Risk Management Committee.

Further, regarding risks peculiar to a specific department or division, the relevant department or division decreases risks by, as deemed necessary, obtaining the assistance of the Corporate Staff Group having expertise and external experts.

The Risk Management Committee exercises control over these activities pursuant to the internal rules of risk management, and monitors them in cooperation with the Audit & Supervisory Board Members, the Internal Auditing Department, and the Corporate Staff Group, which is responsible for each risk.

Further, if any material risk becomes evident and countermeasures urgently need to be taken, the Risk Management Steering Committee, among other things, assesses the severity of the crisis and establishes a task force.

## **(3) Systems for Ensuring the Efficiency of the Execution of Duties by Directors**

In order to ensure efficient and appropriate execution of duties by Directors, etc. and administrative members the Company sets forth, in the job classification system and the internal rules of operations, the department or division in charge, the authority vested in each role, and the operations governed by each organization. Further, the Company adopts the Executive Officer System and the Business Unit System, and develops a system in which each business unit, the Sales & Marketing Unit and the R&D Unit will do business flexibly under the supervision of each General Manager of the unit depending on environmental changes and customer demands. Further, regarding the operational results, etc. of each business unit, the Company develops a medium-term plan and an annual plan designed to achieve the medium-term plan, and adopts a system under which the Accounting and Finance Department and the Director in charge of accounting and finance track and analyze the progress toward achievement on a monthly basis, and report the results to the Management Conference and the Board of Directors in order to examine what measures might need to be taken. The Company promotes the use of video conference and computer and communication network systems, aiming to efficiently gather, analyze, utilize, and share management information.

## **(4) Systems for Ensuring That the Execution of Duties by Directors and Employees Is Compliant with Laws and the Articles of Incorporation**

The Company endeavors to spread the Sumitomo Electric Group Charter of Corporate Behavior, which elaborates the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, and the Code of Conduct, which provides the

Group's common rules on compliance. Further, the Company thoroughly implements the principle that compliance with laws and maintenance of corporate ethics constitute the foundation of management, through the statements and behavior of the top management.

The Compliance Committee chaired by the President, among other things, does the following: identifying and analyzing cross-Group compliance risks; confirming the dissemination and firm establishment of the Code of Conduct; planning and performing training; investigating the cause of violations and formulating proposed measures to prevent their reoccurrence; disseminating and having the above items thoroughly implemented within the Group; and conducting monitoring of the compliance promotion activities. Meanwhile, each department and division identifies and analyzes compliance risks, including risks peculiar to the department or division, and takes measures to prevent them; whereas the Compliance Committee, the Legal Department, the Audit & Supervisory Board Members, and the Internal Auditing Department conduct their monitoring, in cooperation with one another. Regarding compliance with domestic and foreign competition laws, the Company continuously provides education regarding competition laws in order to eradicate any cartel or bid-rigging activities, including suspicious activities, within the Company. Further, under the Compliance Committee, the Compliance & Risk Management Office monitors the status of operation of, and compliance with, a set of rules and regulations to ensure compliance with competition laws and, further, plans and implements any other competition law compliance measures, in cooperation with the respective dedicated organization of each unit or compliance liaison. Further, the Compliance Committee appropriately identifies the circumstances pertaining to information provided to the notification and consultation desk established within and without the Company, and takes necessary measures.

#### **(5) Systems for Ensuring the Propriety of Financial Reporting**

The Company has established the Internal Control Committee for Financial Reporting, chaired by the President, and also built a promotion organization in the Corporate Staff Group. Pursuant to their policies, guidance, and assistance, each department, division, and subsidiary proceeds with the development and appropriate operation of the internal control system in accordance with the Financial Instruments and Exchange Act, as well as with the assessment and audit standards and implementation standards set forth by the Financial Services Agency, in order to further enhance the Company's system for ensuring the propriety of financial reporting. The Internal Auditing Department assesses the effectiveness of the internal control system of the whole Group for each fiscal year, and compiles an internal control report to be submitted to the Financial Services Agency based on the results of such assessment and obtains the approval of the Internal Control Committee for Financial Reporting and the Board of Directors.

#### **(6) Systems for Ensuring the Propriety of the Operations Performed by the Corporate Group Comprised of the Company and the Subsidiaries**

The Company also endeavors to spread the Sumitomo Electric Group Charter of Corporate Behavior, which elaborates the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, to the Group companies, aiming to share with them the principles that should be respected and complied with in the course of business operations.

Pursuant to the internal rules of affiliated companies management, the Company receives reports from subsidiaries or has subsidiaries consult with the Company as deemed necessary, regarding matters to be decided and accrued facts to be reported or referred to the Management Conference and the Board of Directors meeting of the Company, and certain matters related to risk management and compliance, etc. In addition, the related persons of the governing unit and the administrative members of the Accounting and Finance Department, among others, assume the offices of Directors and Audit & Supervisory Board Members of the subsidiaries in order to track their management status. Furthermore,

information regarding risk management and compliance systems, etc. is exchanged at the conference of Audit & Supervisory Board Members of the Group, or through communication and exchanges between the Corporate Staff Group of the Company, such as the Human Resources Division, the Administration Division, and the Accounting and Finance Department, on the one hand, and the relevant departments or divisions of the subsidiaries, on the other hand.

In this regard, the major activities relating to risk management and compliance do not only cover the Company itself, but also its domestic and foreign subsidiaries, excluding listed companies and their subsidiaries.

Regarding major cross-Group risks, each subsidiary practices risk management by assessing the risks pertaining to the implementation of its business, pursuant to the responsive measures and accident examples and preventative measures shared within the Group by each department or division of the Company in charge, among others. Further, each subsidiary minimizes risks peculiar to itself, by obtaining the assistance of the Company.

Regarding compliance risks, too, the Company has adopted a system under which each subsidiary takes measures, including those to cope with its peculiar risks, pursuant to the major compliance risks and measures to prevent their occurrence shared within the Group by the Compliance Committee and the Legal Department of the Company, among others. With respect to the notification and consultation desk for whistle-blowing, the Company guides each subsidiary to establish its own internal consultation desk, whereas the Company also maintains the Group's common external consultation desks, both in Japan and abroad. Under the current system, the business of each subsidiary is operated flexibly under the Business Unit System.

Under this system, the business plan of each subsidiary is formulated as part of the medium-term plan and annual plan of each unit, and the operational results of each unit are reported to the Management Conference and the Board of Directors on a monthly basis, in order to examine measures required to be taken. Further, utilization of the Group's common infrastructure has also been promoted in regard to the utilization of computer and telecommunication systems, etc. at subsidiaries.

#### **(7) Matters Related to the Employees to Provide Support to the Audit & Supervisory Board Members and Matters for Ensuring Their Independence from Directors and the Effectiveness of Instructions to Such Employees**

The Company establishes the Office of Audit & Supervisory Board Members as a dedicated office to provide support to the Audit & Supervisory Board Members and allocates employees to such tasks (the "staff of the Office of Audit & Supervisory Board Members"), some of whom are dedicated staff members. Personnel transfer and personnel evaluation of the staff of the Office of Audit & Supervisory Board Members are subject to prior consultation with the Audit & Supervisory Board or full-time Audit & Supervisory Board Members for their opinions, and the staff of the Office of Audit & Supervisory Board Members follow the directions and commands of the Audit & Supervisory Board Members.

#### **(8) Systems for Reporting by Directors and Employees of the Company, Directors and Employees of the Subsidiaries, or Persons Who Have Received Reports Therefrom to the Audit & Supervisory Board Members of the Company and Other Systems for Reporting to the Audit & Supervisory Board Members of the Company**

Audit & Supervisory Board Members attend various important meetings that govern the operation of the Company's whole Group, such as the Management Conference, the Risk Management Committee, and the Compliance Committee. Further, the Company adopt a system under which the Directors, the Senior Managers of the departments or divisions, the Presidents of the subsidiaries and others report to the Audit & Supervisory Board Members, as deemed necessary, regarding matters that occur within the Group such as sudden and unexpected acts violating laws or the Articles of Incorporation, or material execution of business or change to the internal control system (excluding minor ones).

**(9) Systems for Ensuring That Person Who Has Made Report to the Audit & Supervisory Board Members Shall Not Be Unfavorably Treated on Account of Having Made Such Report**

The Company and each subsidiary refrain from unfavorably treating any person who has made a report to the Audit & Supervisory Board Members as set forth in paragraph (8) above on account of having made such a report, by taking such measures as setting forth in their internal rules for whistle-blowing desk system that they shall not dismiss or otherwise unfavorably treat a person on account of such person having provided information to the staff of Office of Audit & Supervisory Board Members.

**(10) Matters Related to Policies Regarding Accounting for the Costs or Debts Incurred in Relation to Execution of Duties of the Audit & Supervisory Board Members**

For each fiscal year, a necessary budget is set with the approval of the Audit & Supervisory Board in order to account for costs or debts incurred in relation to execution of duties of the Audit & Supervisory Board Members, and a prompt response is made if an Audit & Supervisory Board Member requests reimbursement for costs having been prepaid or disbursed, or repayment of debts having been borne, by such Audit & Supervisory Board Member.

**(11) Other Systems for Ensuring That the Audit & Supervisory Board Members Can Conduct Audits Effectively**

The Company, as deemed necessary, secures opportunities for the Audit & Supervisory Board Members to interview Directors and the Senior Managers of the departments or divisions, and also periodically holds meetings for the Audit & Supervisory Board Members and Outside Directors to exchange opinions with, among others, the Chairman of the Board of Directors, the President and the Officers in charge of the Corporate Staff Group concerning important audit matters. Furthermore, the Internal Auditing Department acts in cooperation with the Audit & Supervisory Board Members.

**1-2. Outline of Operational Status**

**(1) Systems for Preservation and Management of Information Related to the Execution of Duties by Directors**

The minutes of Board of Directors meetings are produced each time a meeting is held, and the originals, to which the officers who attend the meeting affix their names and seals, are kept at the Administration Division. Each department or division manages the documents and electronic data regarding the execution of duties and making of decisions by Directors, such as an internal document for drafting proposals and making internal approvals, as set forth in the internal rules of information management, the internal rules of document handling, and the internal rules of papers preservation.

**(2) Internal Rules and Other Systems for Managing Risk of Loss**

Meetings of the Risk Management Committee are held at the same time as meetings of the Management Conference. Directors, etc. report matters such as the appearance of material risks in the department or division for which they are responsible, and discuss topics such as measures against those risks as necessary.

Major cross-Group risks are handled in accordance with the basic policy described in 1-1. Each department or division manages risks by reassessing the risks pertaining to the implementation of the business it controls, following the responsive measures and accident examples and preventative measures that are shared within the Group either by the Corporate Staff Group, which is responsible for each risk, or by the committees hosted by Directors, etc. who are in charge of the Corporate Staff Group. Further, regarding risks peculiar to a specific department or division, the relevant department or division mitigates risks by, as deemed necessary, obtaining the assistance of the Corporate Staff Group and external experts with specialized knowledge.



As for pressing issues, regarding personal information management, the Company is arranging a system to comply with the EU General Data Protection Regulation and other country-specific personal information protection legislation including Japan. In addition, the Company is striving to reinforce the development of cyber security through cooperation among relevant departments and divisions under the initiative of the Risk Management Committee to deal with the increase and sophistication of cyber-attacks.

The Risk Management Committee and its secretariat, the Compliance & Risk Management Office, monitor these activities in cooperation with the Audit & Supervisory Board Members, the Internal Auditing Department, and the Corporate Staff Group, which is responsible for each risk.

In addition, the Company has established the Sustainability Management Promotion Committee, chaired by the President, and this committee has adopted a system under which it discusses policies and provides advice in order to consistently promote measures for consideration regarding respecting the global environment and human rights, ensuring employee well-being and a healthy work environment, and reinforcing fair and impartial trade, as well as managing natural disasters, etc.

### **(3) Systems for Ensuring the Efficiency of the Execution of Duties by Directors**

In order to ensure efficient and appropriate execution of duties by Directors, etc. and administrative members, the Company defines, in the job classification system and the internal rules of operations, (i) the department or division in charge, (ii) the authority vested in each role, and (iii) the operations governed by each organization. The Company appropriately revises the contents of the system and rules as necessary.

Further, regarding the operational results, etc. of each business unit, the Company develops a medium-term plan and an annual plan designed to achieve the medium-term plan, and the Accounting and Finance Department and the Director in charge of accounting and finance track and analyze the progress toward achievement on a monthly basis, and report the results to the Management Conference and the Board of Directors in order to examine what measures might need to be taken.

### **(4) Systems for Ensuring That the Execution of Duties by Directors and Employees Is Compliant with Laws and the Articles of Incorporation**

The Company endeavors to spread the Sumitomo Spirit and the Sumitomo Electric Group Charter of Corporate Behavior through measures such as distributing booklets explaining those ideas, and awareness about compliance by distributing the Code of Conduct and conducting training.

Further, the President comments on the importance of the Sumitomo Spirit and that compliance with laws and maintenance of corporate ethics constitute the foundation of management, at opportunities to deliver messages within the Group, such as New Year's speeches and in-house newsletters, striving to spread awareness of these ideas.

In FY2022, the Compliance Committee held four meetings and, among other things, undertook the following: identified and analyzed cross-Group compliance risks; planned and performed compliance training; and conducted monitoring of the compliance promotion activities of each department or division. Regarding compliance training, it was offered to officers, managers, those who were promoted, and new employees of the Company, and employees of the subsidiaries.

Regarding compliance with domestic and foreign competition laws, under the Global Antitrust and Competition Policy, the Company provides education regarding competition laws within the Group including domestic and foreign subsidiaries. Further, the Compliance & Risk Management Office monitors the status of operation of, and compliance

with, a set of rules and regulations to ensure compliance with competition laws in cooperation with the respective dedicated organization of each unit or compliance liaison.

Regarding prevention of bribery, the Company provides education within the Group including domestic and foreign subsidiaries, and the compliance liaison in each department or division operates systems such as a pre-approval system to providing business entertainment, among others, pursuant to the internal rules on bribery prevention.

The Compliance Committee appropriately identifies the circumstances pertaining to information provided to the notification and consultation desk established by the Company and domestic and foreign subsidiaries within and without the Company (law firms and experts), and takes necessary measures.

#### **(5) Systems for Ensuring the Propriety of Financial Reporting**

Pursuant to the guidance and assistance of the Internal Control Committee for Financial Reporting and the relevant Corporate Staff Group, each department, division, and subsidiary has developed and operated the internal control system.

The Internal Auditing Department assesses the effectiveness of the internal control system of the entire Group, compiles an internal control report to be submitted to the Financial Services Agency based on the results of such assessment and obtains the approval of the Internal Control Committee for Financial Reporting and the Board of Directors.

#### **(6) Systems for Ensuring the Propriety of the Operations Performed by the Corporate Group Comprised of the Company and the Subsidiaries**

The Company also endeavors to spread the Sumitomo Spirit, Sumitomo Electric Group Corporate Principles, the Sumitomo Electric Group Charter of Corporate Behavior, and the long-term visions, etc. to each subsidiary, aiming to share with them the principles that should be respected and complied with in the course of business operations.

Regarding specific matters pursuant to the internal rules of affiliated company management, the unit responsible for the subsidiary and the relevant Corporate Staff Group receive reports and consultation from the subsidiary, and as necessary, refer them to the Management Conference and the Board of Directors meeting of the Company.

The related persons of the governing unit and the administrative members of the Accounting and Finance Department, among others, are placed as Directors or Audit & Supervisory Board Members of the subsidiaries in order to track their management status.

The business plan of each subsidiary is formulated as part of the medium-term plan and annual plan of each unit, and the operational results of each unit are reported to the Management Conference and the Board of Directors on a monthly basis, in order to examine measures required to be taken.

Regarding commitments to risk management and compliance systems, such information is exchanged at the conference of Audit & Supervisory Board Members of the Group, or through meetings held by the Corporate Staff Group of the Company, such as the Human Resources Division, the Administration Division, and the Accounting and Finance Department, with the relevant departments or divisions of the subsidiaries, and guidance and support are conducted by the relevant corporate staff group for each subsidiary. The major activities relating to risk management and compliance do not only cover the Company itself, but also its domestic and foreign subsidiaries, excluding listed companies and their subsidiaries.

#### **(7) Systems for Ensuring That the Audit & Supervisory Board Members Can Conduct Audits Effectively**

The Company has established the Office of Audit & Supervisory Board Members as a dedicated office to provide support to the Audit & Supervisory Board Members and allocated employees consisting of one dedicated staff member and four members who hold posts concurrently elsewhere to such tasks (the “staff of the Office of Audit & Supervisory Board Members”).

The Office of Audit & Supervisory Board Members does not fall under the responsibility of any Directors, etc. in terms of the organization, and the staff of Office of Audit & Supervisory Board Members must follow the instructions of the Audit & Supervisory Board Members. Regarding personnel transfer and personnel evaluation of the staff of the Office of Audit & Supervisory Board Members, the Company hears the opinions of the Audit & Supervisory Board or full-time Audit & Supervisory Board Members. Audit & Supervisory Board Members attend various important meetings, such as the Management Conference, the Risk Management Committee, and the Compliance Committee. The Directors, etc., the Senior Managers of the departments or divisions, the Presidents of the subsidiaries and others report to the Audit & Supervisory Board Members, as deemed necessary, regarding material matters of the contents of the various important meetings that need supplementation.

A necessary budget is set with the approval of the Audit & Supervisory Board in order to account for costs or debts incurred in relation to execution of duties of the Audit & Supervisory Board Members, and a prompt response is made if an Audit & Supervisory Board Member makes requests such as reimbursement for costs having been prepaid or disbursed by such Audit & Supervisory Board Member.

The Directors and the Senior Managers of the departments or divisions hold meetings upon request from the Audit & Supervisory Board Members and are interviewed about matters necessary for audits. In FY2022, the Chairman of the Board of Directors, the President, and the Officers in charge of the Human Resources, the Administration, and the Accounting and Finance held a meeting twice with the Audit & Supervisory Board Members and Outside Directors to report and exchange opinions concerning management policies and tasks, etc. Furthermore, the Internal Auditing Department requests that the Audit & Supervisory Board Members attend report meetings regarding the results of audit in each division, department, etc. and hears the opinions of the Audit & Supervisory Board Members. It also acts in cooperation with the Audit & Supervisory Board Members through activities such as reporting and exchanging opinions concerning annual audit plans and results.

## **2. Basic Views on Measures for Eliminating Antisocial Forces and Status of Development**

Basic views on the elimination of antisocial forces and the status of development of the system therefor are as follows.

(1) Under the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, the Company unwaveringly upholds the basic policy of contributing to society through fair business activities. Furthermore, the Sumitomo Electric Group Charter of Corporate Behavior, which was established as a code of conduct that specifically indicates how all officers and employees should act in order to realize these principles, stipulates that the Company will maintain a strong stand against any force that threatens public order and safety.

(2) The Company adopts a system under which the Administration Division, while striving to gather information from relevant administrative agencies, etc., works in collaboration with the relevant departments and divisions within the Company to eliminate antisocial forces. Further, the Company endeavors to ensure that all officers and employees fully understand and comply with the Charter through training and other means.

## **V. Other**

### **1. Adoption of Anti-Takeover Measures: Not Adopted**

#### **Supplementary Explanation for Applicable Items** \_\_\_\_\_

## **2. Other Matters Concerning the Corporate Governance System**

### **Outline of the Timely Disclosure System**

The Company has defined the matters that all Group members should work on or comply with in any circumstances to realize the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles in the Sumitomo Electric Group Charter of Corporate Behavior, which declares, in its article “Disclosure of relevant information and promotion of communication with society,” that the Group will aim to disclose corporate information in a timely and appropriate manner and promote good communication with society. The Company is working to ensure that these policies are understood and followed by all officers and employees in the Group. Further, based on the Charter, the Company has established the Sumitomo Electric Group Disclosure Policy, which stipulates Sumitomo Electric Group’s basic attitudes and policies regarding information disclosure.

Based on the basic policies mentioned above, regarding insider information and material corporate information specified by the timely disclosure rules of the stock exchange, the Company has defined, in its internal rules on publicity, the procedures for public announcement and information communication system, as described below, to ensure that relevant information is disclosed in a timely and appropriate manner in accordance with the laws, regulations and other relevant rules.

- (1) The heads of the Corporate Staff Group, R&D Unit, Sales Units, and Business Units contact every officer in charge and communicate with the General Manager of the Public Relations Department, who is responsible for handling information, if reportable insider information or material corporate information, which is specified by the stock exchange, is deemed to possibly arise with regard to their own group or unit (including any equivalent departments or divisions, as well as subsidiaries under their jurisdiction).
- (2) The General Manager of the Public Relations Department reviews and determines the need for an announcement, the timing for such announcement, the content to be announced, the announcement method and so forth through consultation with related departments and divisions, including the department and division concerned, the Legal Department, the Accounting Division, and the Finance Department.
- (3) Pursuant to the above determinations, the General Manager of the Public Relations Department follows the necessary disclosure procedures as soon as possible, specifically, immediately after a relevant meeting of the Board of Directors for “decisions” and without delay for “facts that occurred” and “financial results information.” “Material information regarding subsidiaries” is to be handled in the same way as described above.

Specifically, in addition to establishing a separate information communication system for “decisions,” “facts that occurred,” and “financial results information,” as shown in, the Company works to disseminate the established systems and procedures to ensure timely disclosure of information. The Company thus makes sincere efforts to, from the standpoint of investors, promptly provide accurate and fair corporate information in a timely and appropriate manner. As for monitoring of the timely disclosure system, the Audit & Supervisory Board Members interview the Public Relations Department, which is in charge of information disclosure, and the Internal Audit Department conducts audits of the Public Relations Department as needed. The Company also strives to disclose corporate information in a timely and appropriate manner by providing internal training regarding timely disclosure to ensure that all relevant rules and regulations are observed.

### **Results of Analysis and Evaluation of the Effectiveness of the Board of Directors (conducted in 2022)**

## 1. Analysis and Evaluation Process

After a questionnaire regarding the items below was sent to all directors and audit & supervisory board members, including Outside Officers, individual interviews were conducted with five Outside Directors and three Outside Audit & Supervisory Board Members based on the results of the questionnaire. In addition, the results of the analysis were reported and discussions on proposed future initiatives were held at the Board of Directors meeting held in December 2022.

<Evaluation Items>

- operation of the Board of Directors (agenda items, length of deliberations, quantity and quality of discussion materials, discussion environment, etc.)
- system of support for Outside Officers (advance provision of information, opportunities for dialogue/exchanges with executive officers, etc.)
- Compensation Advisory Committee and Nominating Advisory Committee (operation, details of deliberations, etc.)
- composition of the Board of Directors (scale, number of directors, diversity, etc.)
- role of the Board of Directors (important decision making, supervisory function, internal control system, etc.)

## 2. Outline of Results

### 2-1. Overall Analysis and Evaluation Results

Since the last fiscal year, continuous improvements have been made in terms of operation, composition and roles, and effectiveness is being properly ensured. As measures to enhance the effectiveness of the Board of Directors, the Company has worked to create an environment in which opportunities for information provision are enhanced through the review of the Board of Directors' meeting agenda criteria and such means as dialogue between Outside Directors/Outside Audit & Supervisory Board Members and internal Directors, and the Company will proceed with measures to further enhance the effectiveness of the Board of Directors in the future.

### 2-2. Analysis/Evaluation Results by Item

#### 2-2 (1) Operation of the Board of Directors as well as the Nominating Advisory Committee and the Compensation Advisory Committee for Senior Management, Directors, etc.

Regarding the operation of the Board of Directors, it was confirmed that greater operational improvement of the environment for the deliberations on highly important topics has been obtained as a result of the continual review of the Board of Directors' meeting agenda criteria and operational rules; in addition, extensive deliberations can be conducted through the free and open exchange of opinions incorporating the perspectives of Outside Officers against the backdrop of their experience and expertise in particular. With respect to Outside Officers, in addition to the existing support measures, such as the provision of various types of information, the Company determined that continuous appropriate measures have been taken to ensure that Outside Officers exercise their functions, including exchanging opinions on medium- to long-term management issues between Outside Directors and Executive Officers.

Furthermore, it was confirmed that as a matter to be continuously addressed in the future, the Company will work to further enhance discussions by more efficient operation of meetings through such means as appropriate development of materials and to enhance opportunities for dialogue and exchanges between Outside Officers and Executive Officers. It was also confirmed that Nominating Advisory Committee and Compensation Advisory Committee meetings were held

five times each in FY2021 and that their operations, deliberations, and reports to the Board of Directors, etc. were properly conducted.

## **(2) Composition of the Board of Directors**

It was confirmed that the composition of the Board of Directors was appropriate from the perspective of overall balance in terms of number of members, knowledge, experience, etc., including the Company's executive director structure as it operates a wide range of businesses, and that multifaceted and active discussions were taking place thanks to an increase in the number of Outside Directors.

In addition, it was confirmed that as a matter to be continuously addressed in the future, the Company will continue to pay attention to diversity in the composition of the Board of Directors.

## **(3) Role of the Board of Directors**

It was confirmed that the Board of Directors of the Company was properly fulfilling its role of "deliberating and deciding on basic management policies and other important issues of the Company" and "monitoring the execution of duties by each Director" through active discussions in the deliberations on decisions on important matters, quarterly performance reports, and reports on the status of the internal control system.

In addition, it was confirmed that as a matter to be continuously addressed in the future, the Company will need to expand opportunities to deliberate at Board of Directors meetings in order to realize the long-term vision "Sumitomo Electric Group 2030 VISION" announced this year.

END